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# 2008: YEAR IN REVIEW

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*From the desk of:* Will Williams, President  
David Vaughan Investments, Inc.

ABOUT 23 YEARS AGO—when I was just getting started in the financial world—I was eager to learn the keys to success in this business. After reading extensively and talking with industry veterans, I discovered that while each source I tapped had a somewhat different perspective, virtually all of them agreed on two things: Real winners kept their emotions in check. And they never let the job get personal.

Those tenets made a fair amount of sense to me—until I met and began working with David Vaughan in 1990. He taught me that everything about the investment management business is personal. Whether the client is an individual, a family, a business or a non-profit, human beings are counting on us to help them achieve their objectives. And while it is certainly our job to provide rational, disciplined investment counsel, it is simply not possible to strip all the emotion out of the process—not if you are cultivating true relationships.

Since our founder's passing, the DVI team has continued to make business personal, and as a result, the cataclysmic events of the past year took a heavy toll on all of us. Though we are ready to close the book on 2008, I would like to take this opportunity to reflect on some of the emotions we experienced as we made our best decisions on our clients' behalf, navigating treacherous and uncharted territories. ❀

## GRATITUDE

The men and women of DVI appreciate the fact that nearly all our clients elected to remain with us in such a difficult year. We are also grateful that clients and other centers of influence have continued to recommend our services to others. Today our client family is larger than ever—a powerful testimony to strong relationships built and sustained over many years. On behalf of my DVI colleagues, I want to extend our sincere thanks and appreciation to all whom we are privileged to serve.

## DISAPPOINTMENT

Because we take our responsibilities as stewards of client wealth very seriously, we were deeply disappointed when portfolio values declined sharply in 2008. The truth is, we achieved better results than the majority of our peers, but those are hollow victories. DVI is not in the “relative returns” business. Our goal is steady growth in absolute returns, so we are only satisfied when clients are better off financially as a result of our relationship. Be assured that delivering positive absolute returns will remain our primary objective in 2009.

## PRIDE

Despite the disappointments of 2008, we take pride in the way we conducted business throughout the year. Unfortunately, the greed and corruption surfacing in the financial sector cast a shadow on the many fine women and men who are making investment management their life's work. As president of the DVI team, I want to reassure you that we are people of integrity who can be

counted on to do the right thing. We obey both the letter and the spirit of the law, and as a result, have maintained an unblemished regulatory record for more than 30 years. Our strategic partners, Pershing Advisor Solutions, an affiliate of the Bank of New York Mellon, and Schwab Institutional, a division of Charles Schwab & Co., have stellar reputations too. I am proud to be associated with such honorable and hardworking people—at DVI and across our network of strategic service providers.

## CONFIDENCE

Wall Street firms tend to manage with a boom-and-bust mentality, adding staff and resources during Bull Markets and slashing head counts and expenses when the Bear raises its ugly head. Not so at DVI. While others in the industry were retrenching and restructuring in 2008, we took advantage of our independent status and channeled a record amount of capital back into the business. The bulk of our investment was directed toward a new technology infrastructure that is enabling us to provide a much higher level of service to clients. Because each client's financial affairs have become more complex, we are now expected to do much more than simply outline a plan to optimize investment returns. Rather, we work together to create custom strategies for funding our clients' future liabilities, whether they come in the form of retirement income or long-term-care costs for individuals, or pension and healthcare benefits for institutions. Thanks to our recent investment in technology infrastructure, we have fortified our ability to be the kind of firm our clients deserve—one that can solve their multifaceted challenges and guide them confidently into the future.

## DETERMINATION

These are uncertain times. Yet the events of 2008 and early 2009 strengthen our resolve and reaffirm our faith in the DVI business model. We will remain an independently owned investment-management firm, building custom solutions that meet our clients' unique needs. Our people will not sell products or chase commissions, but will provide unbiased advice, do the right thing and act in the client's best interests. The equity strategy will remain our signature offering, and we will continue to devote the time and resources to make the results of this strategy world-class. Our focus on the importance and relevance of risk management will not change. We will continue to provide a comprehensive suite of services, including fixed-income and balanced portfolios, as well as practical solutions to our clients other tax, legal and financial challenges. All this we will do with integrity, authenticity and transparency, adhering to the highest ethical standards. And finally, though we will advise our clients with patience and discipline—striving to take some of the emotion out of the investment process—we will never stop making things personal.

Thank you for your continued confidence in DVI.



*Quiet Quality*